



**Judicial Council of California**  
**Administrative Office of the Courts**

**Trial Court Financial Policies and Procedures**

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**GRANT ACCOUNTING AND ADMINISTRATION**

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# **Grant Accounting and Administration**

## **1.0 Purpose**

The purpose of this policy is to establish the budget, cost allocation, and reporting requirements related to the administration of grants that are used to fund trial court programs, projects and operations.

## **2.0 Policy Statement**

The trial court shall comply with all federal, state, Judicial Council and grantor regulations, rules and requirements that apply to the administration of grant funds. The use of grant funds for specific trial court activities does not exempt employees from standard trial court policies and procedures. Requirements that apply to grant administration are in addition to those associated with normal trial court operations.

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## 4.0 Application

This policy applies to all trial court officials and employees who participate in trial court activities that are funded by grants, or who are responsible for the administration of grant funds.

## 5.0 Definitions

The terms defined below apply to this policy and are for the express purpose of interpreting this policy.

1. **Advance.** A payment made to the trial court under a grant prior to the time that the court incurs the costs that the payment is intended to cover.
2. **Block Grant.** Grants awarded to the states to provide assistance to State and local units of government for programs according to legislative requirements.
3. **Grant.** Contributions of cash or other assets from a government or other entity that are used or expended for a specific purpose, activity, or facility.
4. **Grantee.** The entity to which a grant is awarded, and which is accountable for the use of the funds or other assets provided by the grant.
5. **Grantor.** The entity that makes a grant award. The grantor may be a federal, state, or local government, a corporation or other business, a private foundation, or other organization.
6. **Grant Period (also Funding Period).** The time between the effective date of the grant award and the ending date of the award.

7. **Indirect Rates.** Fixed rates for overhead or general and administrative expenses established to determine the amounts due to a grantee in addition to its direct costs. Also referred to as predetermined rates.
8. **Reimbursement Grant.** A type of grant under which the trial court is reimbursed for work performed and/or costs incurred up to the total amount specified in the grant. Such costs must be allowable in accordance with the applicable cost principles.
9. **Subgrantee or Subrecipient.** An entity that receives a subgrant and is accountable to the grantee for the use of the funds. For example, the federal government (the grantor) may award funds to the Judicial Council (the grantee), which are passed through to the trial court (the subgrantee or subrecipient).
10. **Subrogate.** To substitute one party for another in a legal proceeding.
11. **Unobligated Balance.** The amount of funds awarded by the grantor that are not committed or expended by the trial court.

## **6.0 Text**

### **6.1 Introduction**

1. Grant funds awarded by government, business and other organizations may substantially benefit the trial court's ability to serve the public. At the same time, the acceptance of grant funds may also represent an area of risk to the court. This is because money received by the court through grants is provided for specific purposes and under conditions that apply to its use.
2. Grants are auditable. Therefore, the court must be able to identify the source and application of all grant funds. It must also prepare and submit periodic performance and financial reports regarding grant-funded programs and projects.

3. Inattention to grant compliance requirements or inadequate controls can lead to problems including:
  - a. Incorrect reporting regarding the time, effort and funds spent on grant-funded activities.
  - b. Failure to report program income.
  - c. The use of grant funds to pay for activities not related to the grant program or project.
  - d. Improper accounting for overhead costs.
  - e. Improper transfers of funds between programs.
4. Common weaknesses associated with grant compliance include:
  - a. Lack of management controls due to outdated or nonexistent policies and procedures.
  - b. Inadequate staff training and education.
  - c. Inadequate systems associated with effort reporting, financial management, program income, etc.
5. Measures that have been shown to improve grant program compliance include:
  - a. Establishing compliance as an institutional expectation and individual responsibility.
  - b. Establishing an expectation of zero tolerance for noncompliance.
  - c. Defining individual roles and responsibilities.
  - d. Assigning oversight responsibilities.
  - e. Keeping policies and procedures current with respect to changing statutes, regulations, and grant conditions.

## **6.2 Grant Requirements**

1. The uniform administrative rules for federal grants and cooperative agreements and subawards to state and local governments are established in Title 28, Part 66 of the Code of Federal Regulations (CFR).
2. Various grant programs (federal, state, local, private foundation, corporate) may have other requirements associated with specific legislation or the rules of the grantor. The trial court is responsible for familiarizing itself and complying with the requirements of the grant agreements it enters into.

## **6.3 Grant Budgets**

### **6.3.1 Budget Establishment**

For each grant agreement that the trial court enters into, a distinct budget must be established at the appropriate level of the Budget Program Structure (see Procedure FIN 4.01, *Budget Development*, Appendix D, *Chart of Accounts and Budget Program (PECT) Structure*). The trial court financial management system must allow for the tracking of grant revenues and expenditures and facilitate the preparation of required financial and performance reports.

### **6.3.2 Budget Control**

The trial court must be able to compare actual expenditures under each grant with budgeted amounts. Grant funds must be traceable to a level of expenditure that demonstrates the funds have not been used in ways that violate statutes, regulations, or conditions of the grant agreement.

### **6.3.3 Budget and Program Changes**

1. Certain types of post-award changes to budgets and projects supported by grant funds shall require the prior approval of the grantor.
2. Unless otherwise stated in a grant agreement or applicable regulations, the trial court must obtain prior approval whenever any of the following changes is anticipated:<sup>1</sup>
  - a. A revision that would result in the need for additional funding.
  - b. Cumulative transfers among direct cost categories or among separately budgeted programs, projects, functions or activities that exceed ten percent of the current total approved grant budget, when the grantor's share is greater than \$100,000.
  - c. Transfers of funds allotted for training allowances to other expense categories.
3. The trial court must also obtain prior approval from the grantor whenever any of the following program-related changes is contemplated:
  - a. Revision of the scope or objective of the project.
  - b. Need to extend the grant period to make funds available for a longer time than originally planned.
  - c. Changes in key program personnel where the grant agreement specifies such a notification.
  - d. Obtaining the services of a third party to perform activities that are central to the purposes of the grant award (subcontracting or subgranting).

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<sup>1</sup> Required for federal grant funds under CFR Title 29, Part 66.3. For other types of grants, refer to grant agreements for specific requirements.

4. A request for approval of a change to the grant budget or program should be submitted to the grantor in the same format as the original grant application. The request shall include a narrative justification for the proposed change.

## **6.4 Accounting and Administrative Requirements**

The trial court must account for grant funds in accordance with applicable laws and the procedures established for expending and accounting for its own funds. Specific aspects of fiscal control and accounting procedures required by 28 CFR Part 66 are discussed below.

### **6.4.1 Internal Control**

The trial court must effectively control and account for all grant-related cash, real and personal property, and other assets. These assets must be safeguarded and the trial court must assure that they are used only for authorized purposes.

### **6.4.2 Fund Identification**

As indicated in the table shown in Procedure FIN 5.01, *Fund Accounting*, grant funds shall be accounted for in Special Revenue Funds. This will allow grant transactions and resources to be accounted for as a separate entity, and facilitate grant monitoring, reporting and auditing.

### **6.4.3 Accounting Records**

1. The trial court must maintain records that adequately identify the source and application of grant funds. The records must contain information about grant awards, authorizations, obligations, unobligated balances, assets, liabilities, expenditures, and income.



2. Accounting records must be supported by appropriate documentation that may include receipts, cancelled checks, employee time and attendance records, payroll records, etc.
3. Grant records will be retained according to the requirements established in Procedure FIN 12.01, Record Retention.

#### **6.4.4 Allowable Costs**

Only costs that are determined to be reasonable, allowable, and allocable may be applied to grant programs. In determining whether specific costs may be applied to a grant program, the trial court shall refer to the specific terms of the grant agreement. For federal grants, guidance is provided by the United States Office of Management and Budget in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* (available at [www.whitehouse.gov/omb/circulars](http://www.whitehouse.gov/omb/circulars)).

#### **6.4.5 Direct and Indirect Costs**

1. Costs that are applied to grant budgets can be classified as either direct costs or indirect costs. There is no universal rule for classifying costs as direct or indirect. However, it is important to treat each cost item consistently as either direct or indirect. Guidelines for determining direct and indirect costs are provided in the following paragraphs.
2. Direct costs are those that are specifically associated with a grant program or are incurred in the performance of grant-related activities. Direct costs that are typically applied to grants include:
  - a. Employee compensation for time devoted and identified specifically to the performance of grant awards.
  - b. The cost of materials acquired, consumed, or expended specifically for the purpose of grant awards.

- c. Equipment and other capital expenditures.
  - d. Travel expenses incurred specifically to carry out grant awards.
- 3. Time spent on grant-funded activities must be documented on employee timesheets that indicate the employee's name, the specific grant program time is charged to, the dates on which time is charged, and the number of hours charged to the grant program each day.
- 4. Indirect costs are those that are incurred for a common purpose that benefits more than one trial court function, program, grant, contract or other activity; and are not readily assignable to the activities they benefit. Indirect costs are usually charged to grant programs through the use of an indirect cost rate.
- 5. The types of costs that may be classified as indirect costs cannot be specified for all situations. However, typical examples include:
  - a. Trial court central service costs.
  - b. General administrative costs.
  - c. Accounting and personnel services performed within the trial court.
  - d. Facility operations and maintenance costs.
- 6. To determine the indirect costs that may be applied to a specific grant, the trial court may be required to submit an indirect cost rate proposal that serves as the basis for negotiation of the indirect cost rates that will be allowed under the grant. In some cases, the trial court may apply predetermined rates that are based on the court's estimated costs for a specific period, usually the fiscal year.

#### **6.4.6 Availability of Funds**

1. Most grants specify a specific period of time during which grant funds are to be used. In these situations, the trial court may only apply expenditures to the grant up to the end of the grant period, unless the grant specifically allows the carryover of unobligated balances.
2. The trial court must liquidate all obligations incurred under a grant within 90 days of the end of the grant period, unless otherwise specified in the grant agreement. This deadline may be extended at the grantor's discretion, upon the trial court's request.

#### **6.4.7 Income from Grant-Funded Programs**

1. The trial court may sometimes generate income from grant-funded programs or activities. Income may include fees for services performed by the trial court, but it does not include fines, taxes, special assessments, or levies collected by the court.
2. Income generated by grant programs shall be deducted from total program costs.

#### **6.4.8 Supplies and Equipment**

1. The trial court shall use, manage and dispose of equipment acquired under a grant according to the procedures established in Procedure No. FIN 9.01, *Fixed Asset Management*.
2. Equipment acquired using grant funds shall be used for the project or program for which it was acquired as long as needed, whether or not the project continues to be supported by grant funds.

3. Minimum requirements for the management of equipment acquired using grant funds include:
  - a. Records must be kept that include a description of the property, serial number or other identification, the source of the property, who holds title, the acquisition date, cost, percentage of grant participation in the cost, the location, use, and condition of the property. In addition, any information regarding the ultimate disposition of the property and the sale price.
  - b. A physical inventory of the property must be taken and reconciled with property records at least once every three years.
  - c. A control system must be in place to safeguard property and prevent loss, damage, or theft.
  - d. Adequate maintenance procedures must be developed to keep property in good condition.
  - e. Proper procedures must be followed to ensure the highest possible return when the sale of property is authorized. See Procedure FIN 9.01, Fixed Asset Management, for requirements pertaining to disposal of assets.
4. When equipment is no longer needed for a project or program, disposition will be made as follows:
  - a. Equipment with a current value of less than \$5,000 may be retained, sold or otherwise disposed of with no further obligation to the grantor.
  - b. Equipment with a current value greater than \$5,000 may be retained or sold. The grantor shall have a right (which it may waive) to an amount calculated by multiplying the current market value or proceeds from the sale by the grantor's share of the equipment.
5. If there is a residual inventory of unused supplies that exceeds \$5,000 in total fair market value at the end of the grant period, and if

the supplies are not needed for any other grant-funded program or project, the trial court shall compensate the grantor for its share of the value of the unused supplies, unless the grantor waives its right to compensation.

#### **6.4.9 Procurement**

When procuring goods and services under a grant, the trial court will follow the same policies and procedures it uses for procurements using non-grant funds (see Procedure FIN 6.01, *Procurement*).

### **6.5 Reporting Requirements**

1. The trial court is responsible for monitoring the day-to-day activities of grant-funded operations to assure compliance with federal, state, Judicial Council, and grantor-specific requirements and performance goals. The trial court must make periodic reports to the grantor regarding grant program performance and financial status.
2. In cases where the trial court is a subrecipient of a grant awarded to the Judicial Council, the trial court must submit reports to the AOC, which in turn reports to the grantor.
3. Upon written request, the trial court shall provide information regarding any and all grant funds and programs to the AOC. The information requested may include, but is not limited to, performance and financial reports prepared for federal, state, local, and private grants.
4. The following sections on performance and financial reporting generally pertain to federal grants. Pass-through grants or reimbursement grants received from the Judicial Council, or grants received from other sources may have different reporting

requirements. It is the trial court's responsibility to familiarize itself and comply with the reporting requirements of any grant it receives to avoid the discontinuation of funds needed for court programs.

### **6.5.1 Performance Reporting<sup>2</sup>**

1. The trial court may be required to submit performance reports related to grant funds as required by the terms of their grant agreements. For federal grants, the trial court shall submit annual performance reports unless the grantor requires quarterly or semi-annual reports. Performance reports shall not be required more frequently than quarterly.
2. Annual reports shall be submitted no later than 90 days after the end of the grant year, or as specified in the grant agreement. Quarterly or semi-annual reports shall be submitted no later than 30 days after the reporting period. At its discretion, the grantor may extend the deadline for report submittal upon the trial court's request. The grantor may also waive any performance reports when it is not needed.
3. For each grant, performance reports shall contain brief information regarding the following:
  - a. A comparison of actual accomplishments to the objectives established for the reporting period. Results should be quantified wherever possible.
  - b. If established objectives were not met, the reasons for underperformance.
  - c. Pertinent information including, but not limited to, analysis and explanation of any cost overruns.

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<sup>2</sup> Required for federal grant funds under CFR Title 28, Part 66.41. For other types of grants, refer to grant agreements for specific requirements.

4. The trial court shall not be required to submit more than the original and two copies of grant performance reports to the grantor.
5. If significant developments that impact the trial court's grant performance occur between reporting dates, the court must inform the grantor as soon as possible. Significant developments include:
  - a. Problems, delays, or adverse conditions that will materially impair the court's ability to meet grant objectives. Disclosure to the grantor must include a statement of the action taken or contemplated, and any assistance needed to resolve the situation.
  - b. Favorable developments that will enable the court to meet time schedules and objectives sooner or at a lower cost than anticipated, or that produce more benefits than originally envisioned.

### **6.5.2 Financial Reporting<sup>3</sup>**

1. Accurate, current and complete disclosure of the financial results of grant-related activities must be made according to the reporting requirements of each grant.
2. Financial information shall be reported on a cash or accrual basis, as required by the grantor (the trial courts operate on the modified accrual basis). If the grantor requires financial reporting on an accrual basis, the trial court shall not be required to convert its accounting system. Rather, the financial reporting information shall be developed through an analysis of available information.
3. The trial court shall submit annual financial reports unless the grantor requires quarterly or semi-annual reports. Financial reports

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<sup>3</sup> Required for federal grant funds under CFR Title 28, Part 66.41. For other types of grants, refer to grant agreements for specific requirements.

shall not be required more frequently than quarterly, unless otherwise specified in the grant agreement.

4. Annual reports shall be submitted no later than 90 days after the end of the grant year. Quarterly or semi-annual reports shall be submitted no later than 30 days after the reporting period. At its discretion, the grantor may extend the deadline for report submittal upon the trial court's request. The grantor may also waive any financial report when it is not needed.
5. The trial court shall not be required to submit more than the original and two copies of grant financial reports.

### **6.5.3 Required Forms for Federal Grant Financial Reports**

1. Federal regulations (28 CFR Part 66.41) require the submittal of financial information on specific forms (available at [www.whitehouse.gov/omb/grants/#forms](http://www.whitehouse.gov/omb/grants/#forms)) for grants made by federal agencies. The following forms will be used unless specifically waived by the grantor.
2. Financial Status Report. The court shall report the status of funds for all nonconstruction grants on federal Standard Form 269 or 269A, *Financial Status Report*.
3. Federal Cash Transaction Report. For grants paid by letter of credit, treasury check advances or electronic transfer of funds, the court will submit federal Standard Form 272, *Federal Cash Transactions Report*, and when necessary, its continuation sheet, Standard Form 272A. These reports are used by the federal agency making the grant to monitor cash advanced to the court and to obtain disbursement or outlay information for each grant.
  - a. Forecasts of federal cash requirements information may be required in the Remarks section of the report.



- b. Submittal of this report is required no later than 15 days after the end of the quarter. However, if an advance of funds is authorized at an annualized rate of \$1,000,000, the federal agency making the grant may require the report to be submitted within 15 days of the end of each month.
4. Request for Advance or Reimbursement. Requests for treasury check advance payments or for reimbursement will be submitted on Standard Form 270, *Request for Advance or Reimbursement*. This form will not be used for drawdowns under a letter of credit, electronic funds transfer or when treasury check advance payments are made automatically on a predetermined basis.

## **6.6 Grant Termination and Enforcement**

1. If the court fails to comply with any term of a grant award, whether the term is stated in a federal regulation, State plan or application, grant agreement, notice of award, or elsewhere, the grantor may take the following actions, as appropriate to the circumstances:
  - a. Withhold cash payments pending correction of the issue.
  - b. Disallow all or part of the cost of the activity that is not in compliance.
  - c. Suspend or terminate the grant award in whole or in part.
  - d. Take other remedies that may be legally available.
2. In the event the grantor takes action due to perceived noncompliance with the grant conditions by the court, the court shall have the opportunity to a hearing, appeal, or other administrative process that may be established under applicable statutes, regulations, or grant conditions.

3. Grant awards may be terminated for convenience in whole or in part under the following conditions:
  - a. By the grantor with the consent of the court, in which case the parties shall agree to the termination conditions including the effective date and the portion to be terminated, if applicable.
  - b. By the court upon written notice to the grantor, setting forth the reasons for the termination, the effective date, and the portion to be terminated, if applicable. However, in the case of a partial termination, if the grantor determines that the remaining portion of the grant will not accomplish the purposes for which the grant was made, the grantor may terminate the grant in its entirety.

## **6.7 Grant Closeout**

1. Within 90 days of the expiration or termination of a grant (or as specified in the grant agreement), the court shall submit all financial, performance and other reports that may be required as conditions of the grant. For federally funded grants these reports may include, but are not limited to:
  - a. Final performance or progress report.
  - b. Financial Status Report (federal Standard Form 269).
  - c. Final request for payment (federal Standard Form 270).
2. The grantor may make upward or downward adjustments to the allowable costs within 90 days of receipt of the court's final report (or within the period specified in the grant agreement). The grantor will also promptly pay the court for any final allowable costs.
3. The court shall immediately refund the balance of any unobligated funds that are not authorized for use on other grants to the grantor.

## **7.0 Associated Documents**